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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

EFFECT OF FIRM CHARACTERISTICS ON FIRM VALUE OF LISTED DEPOSIT MONEY BANKS IN SUB-SAHARAN AFRICA

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ABSTRACT

The study examined the effect of firm characteristics (namely firm size, profitability and leverage liquidity) on the firm value of listed deposit money banks in Sub-Saharan Africa. A quantitative research design was adopted for the study. Secondary data were gathered from annual financial reports and other relevant disclosures covering the period from 2015 to 2024, with emphasis on banks publicly listed on stock exchanges across Sub-Saharan Africa. The study employed purposive sampling to select banks that met specific inclusion criteria, thereby ensuring the availability of reliable financial data for comprehensive analysis. The population of the study comprised 229 listed deposit money banks in Sub-Saharan Africa, from which a final sample of 141 banks was selected. Descriptive statistics, correlation analysis, and robust pooled regression techniques were employed to analyze the data, with heteroskedasticity-adjusted standard errors used to ensure reliable statistical inference. The findings revealed that firm size and profitability had positive and statistically significant effects on firm value, whereas leverage and liquidity exhibited statistically insignificant effects. The study concluded that the market valuation of deposit money banks in Sub-Saharan Africa was primarily driven by scale efficiency and sustainable profitability rather than by leverage or liquidity positions beyond regulatory thresholds. Based on these findings, the study recommended that bank management prioritize efficient asset growth and profitability enhancement strategies, while regulators continue to enforce prudential guidelines that support financial stability without encouraging excessive liquidity hoarding or leverage-driven value creation.

Keywords: *Firm value, Firm size, Profitability, Liquidity, and Leverage.*

1. INTRODUCTION

Firm value reflects how capital markets value a bank relative to the book value of its assets, incorporating expectations about profitability, growth, and risk (Tobin, 1969; Damodaran, 2023). Evidence across countries, deposit money banks exhibit structurally high leverage and relatively low profit margins, making valuation particularly sensitive to firm characteristics. In advanced banking systems such as the United States and major European economies, large listed banks typically operate with a high debt-to-equity ratios and net profit margins commonly ranging between 15 and 25 percent, while holding liquid assets of roughly 20 to 30 percent of total assets to meet withdrawal and settlement needs (Gorton & Metrick, 2022; Mishkin & Eakins, 2023). These industry realities explain why firm size (log of total assets), profitability (NPM), liquidity (current ratio), and leverage (debt-to-equity) are jointly priced into Tobin's Q: small changes in margins, funding

structure, or liquidity buffers can lead to disproportionately large changes in equity value.

At the level of emerging economies, banking valuation dynamics vary markedly across countries due to differences in market depth, regulation, and macroeconomic stability. In Asian emerging markets such as India and Indonesia, listed banks tend to show moderate profitability but rising asset bases, with firm size increasingly valued for its role in spreading technology and compliance costs, while excessive leverage is often penalized by investors due to periodic credit cycles. These cross-country patterns reinforce the idea that firm value reflects a quantitative balancing act: profitability must be sufficient to justify leverage, liquidity must be adequate to protect solvency, and size must translate into measurable efficiency gains for Tobin's Q to improve.

Within Africa, country-specific banking structures further shape how firm characteristics influence firm value. In South Africa, the largest listed banks control a substantial share of total banking assets, often exceeding half of national sector assets, which gives firm size a strong valuation effect through diversification and market dominance, although high concentration also exposes banks to systemic risk pricing. In Nigeria, deposit money banks operate with relatively high leverage and volatile profitability driven by interest-rate movements and credit risk, making Tobin's Q particularly sensitive to changes in NPM and debt-to-equity ratios. Kenyan and Ghanaian banks, by contrast, often maintain higher liquidity positions relative to assets due to funding structure and regulatory pressures, which enhances stability but can constrain margins, thereby moderating the profitability–firm value relationship (Adusei, 2024). These quantitative, country-level realities motivate the need for a Sub-Saharan Africa–focused analysis of how firm size, profitability, liquidity, and leverage jointly shape the firm value of listed deposit money banks.

In Sub-Saharan Africa, listed deposit money banks operate in environments characterized by high leverage, volatile profitability, liquidity pressures, and uneven scale efficiencies, all of which translate into unstable firm values in the capital market. Empirical evidence reviewed in this study shows that banks often struggle to convert large asset bases into consistent market valuation due to thin margins, rising operating costs, and balance-sheet risks (Efut et al., 2023). For instance, while larger banks are expected to benefit from economies of scale, several studies report that size may introduce operational complexity and reporting challenges that weaken market confidence (Efut et al., 2023; Orajekwe & Ogbodo, 2023). Similarly, profitability is widely regarded as a signal of financial strength, yet volatile earnings in African banking systems—driven by credit risk, interest-rate fluctuations, and macroeconomic shocks—make it difficult for investors to reliably price bank stocks (Ememobong et al., 2023). Liquidity and leverage further compound this problem: banks are required to hold substantial liquid assets to meet short-term obligations, but excessive liquidity can depress returns, while high leverage magnifies financial fragility and valuation risk (Farij & Wardani, 2024; Nindi & Triyono, 2022). These realities create a persistent practical challenge for stakeholders who lack clear, region-specific evidence on how firm characteristics jointly shape firm value in Sub-Saharan African banking markets

The empirical review reveals clear gaps that motivate the current study. First, much of the existing literature focuses on non-financial firms or specific sectors such as manufacturing, energy, or mining, limiting its relevance to deposit money banks whose leverage structures and liquidity dynamics are fundamentally different (Jerry & Okenwa, 2023; Dang, et al., 2024; Farij & Wardani, 2024). Second, prior studies report inconsistent and sometimes contradictory findings regarding the effects of firm size, profitability, liquidity, and leverage on firm value, indicating unresolved empirical and contextual gaps (Efut et al., 2023; Alawiyah et al., 2023; Serlindawati & Chairunisa, 2024; Deshi, et al., 2025). Third, many studies are country-specific or based on small samples and short periods, making it difficult to generalize results across Sub-Saharan Africa's diverse banking systems. The current study fills these gaps by focusing explicitly on listed deposit money banks across Sub-Saharan Africa, employing a larger multi-country sample and longer time horizon, and using Tobin's Q as a market-based measure of firm value. By jointly examining firm size, profitability, liquidity, and leverage within a unified framework, the study addresses empirical inconsistencies, improves sectoral relevance, and provides region-wide evidence that strengthens understanding of how firm characteristics influence bank valuation in Sub-Saharan Africa

The general objective of study is to examine the moderating effect of firm characteristics on firm value of listed deposit money banks in Sub-Saharan Africa. The study specifically seeks to:

i. analyze the effect of firm size on firm value among listed deposit money banks in Sub-Saharan Africa;
ii. evaluate the effect of profitability on the firm value of listed deposit money banks in Sub-Saharan Africa;
iii. assess effect of leverage on firm value among listed deposit money banks in Sub-Saharan Africa;
iv. ascertain the effect of liquidity on firm value among listed deposit money banks in Sub-Saharan Africa.

The study established the following hypotheses in null form to guide the study:

H_{01}: Firm size does not significantly influence the firm value of listed deposit money banks in Sub-Saharan Africa.

H_{02}: Profitability does not significantly influence the firm value of listed deposit money banks in Sub-Saharan Africa.

H_{03}: Leverage does not significantly influence the firm value of listed deposit money banks in Sub-Saharan Africa.

H_{04}: Liquidity does not significantly influence the firm value of listed deposit money banks in Sub-Saharan Africa.

2. LITERATURE REVIEW

2.1 Conceptual Review

This section focuses on reviewing the foundational concepts relevant to the research topic, offering insights into their development, application, and interrelations. By exploring a variety of perspectives, the review highlights the evolution of the core ideas and identifies gaps, limitations, or contradictions within existing literature. The aim is to establish a solid conceptual foundation, facilitating a deeper understanding of the subject and guiding the direction for future research or inquiry.

2.1.1 Firm Value

Firm value encapsulates the total economic worth of a company and represents a central concept in finance, reflecting how firms are evaluated by investors and other stakeholders. It serves as a comprehensive indicator of a company's current financial condition as well as its future growth and profitability prospects. According to Lodikero et al. (2023), firm value is commonly assessed using market-based and accounting-related measures such as market capitalization, enterprise value, and stock price, which collectively capture market perceptions of performance, risk, and investment attractiveness. Market capitalization reflects the total value of a firm's outstanding shares and signals its size, influence, and perceived worth in the capital market (Kaku et al., 2022), while enterprise value provides a more holistic assessment by incorporating debt, cash holdings, and equity, thereby offering deeper insight into a firm's operational worth and financial structure (Aribaba et al., 2022).

Firm value is further shaped by internal firm characteristics, particularly firm size and profitability, which strongly influence investor confidence and valuation outcomes. Egolum and Ikebudu (2023) note that larger firms often benefit from economies of scale, wider market reach, and greater financial stability, which enhance market valuation, while Okoba and Chukwu (2023) emphasize that size-related advantages improve market visibility and investor trust. Profitability indicators such as return on assets and return on equity reflect a firm's efficiency in generating earnings from invested resources and equity, thereby playing a critical role in shaping market valuation and investment decisions (Jibril et al., 2021). Overall, firm value goes beyond a mere numerical estimate, as it embodies investor sentiment, market confidence, and expectations about future performance, making it a crucial benchmark for assessing corporate performance and market standing, particularly within the context of listed deposit money banks in Sub-Saharan Africa.

2.1.2 Firm Characteristics

Firm characteristics encompass critical attributes that define a company's operational and financial profile, influencing its market performance and investor perception. Key among these characteristics are firm size, profitability, leverage and liquidity.

Firm Size

Firm size plays a pivotal role in determining a company's strategic capabilities and market position. Larger firms often benefit from economies of scale, which can lead to lower production costs and enhanced market influence. These advantages enable larger companies to leverage their size for competitive pricing, extensive research and development, and broader market reach. According to Jerry and Okenwa (2023), larger firms in the energy sector face complexities in environmental reporting due to their extensive operations and established reporting practices. This complexity can impact their ability to effectively communicate environmental initiatives and comply with regulatory standards, influencing their perceived value in the market. For example, managing the vast amounts of data required for comprehensive environmental reporting can be challenging for larger firms, leading to potential gaps in disclosure and transparency. Similarly, Efut et al. (2023) found that in the context of listed universal banks in Nigeria, larger size negatively correlated with financial reporting quality, suggesting challenges in maintaining transparency and efficiency as firms scale up. This correlation indicates that as firms grow, the intricacies of managing more extensive operations and diverse activities may compromise the quality of financial reporting. This finding is consistent with Orajekwe and Ogbodo (2023), who noted that larger firms face difficulties in environmental disclosure, further complicating stakeholder communication. These challenges are not limited to environmental reporting but can extend to other areas of compliance and governance, reflecting the broader impact of firm size on operational transparency and efficiency.

Firm Profitability

Firm profitability is a key indicator of financial health and performance, typically measured by metrics such as net income margin, return on assets (ROA), and return on equity (ROE). High profitability indicates that a company effectively generates earnings relative to its expenses and other costs, which is essential for

sustaining growth and attracting investors (Deshi, et al., 2025). Ememobong et al. (2023) found that profitability positively influences earnings predictability among quoted manufacturing companies in Nigeria, underscoring the importance of profitability in enhancing investor confidence and supporting firm valuation. Additionally, profitability can significantly impact other financial metrics and operational decisions. For instance, Ndhlovu and Muzira (2023) highlighted that profitable firms are better positioned to invest in timely and comprehensive financial reporting, which further bolsters investor trust and market value. The ability to invest in high-quality reporting systems and practices ensures that financial statements are accurate and timely, enhancing the firm's credibility. Furthermore, research by Kaku et al. (2022) demonstrated that profitability affects compliance with international financial reporting standards, impacting overall firm transparency and reliability. This compliance is crucial for maintaining investor confidence and meeting regulatory requirements. Moreover, profitability can influence strategic decisions, such as expansion plans, marketing strategies, and product development, all of which contribute to the long-term sustainability and growth of the company.

Firm Leverage

The leverage ratio, according to Nindi and Triyono, (2022), measures the extent to which a company is financed with debt and assesses the possibility of defaulting on its debt obligations. Markonah, et al. (2020) describe leverage as the risk and return associated with using fixed costs, such as debt and preferred stock. The more fixed-cost debt a company uses, the greater the risk and expected return. Jihadi, et al. (2021) defines the leverage ratio as a metric used to measure the extent to which a company's assets are financed by debt, indicating the debt burden compared to its assets. Broadly speaking, the leverage ratio evaluates a company's ability to meet all its obligations, both short-term and long-term, if the company were to be liquidated. This study uses the Debt-to-Equity Ratio (DER) as the leverage ratio. Alawiyah, et al. (2023) notes that long-term creditors primarily focus on earnings outlooks and cash flow forecasts when measuring risk, but they also consider the balance between assets funded by creditors and those funded by the company's owners. This balance is measured by DER. Deshi, et al., (2025) describes the Debt-to-Equity Ratio as a ratio used to determine the proportion of total debt relative to shareholders' equity. This ratio helps to understand how much of the company's assets are financed by debt. A higher DER indicates greater risk to the company, signaling potential risk to investors and affecting the company's value. Consequently, investors generally prefer stocks with lower DERs.

Firm Liquidity

The liquidity ratio measures a company's ability to meet its short-term obligations using its most liquid assets (Farij & Wardani 2024). The calculation of the liquidity ratio provides significant benefits to various interested parties. Primarily, the company's owners and management use it to assess their financial capabilities. Thus, the liquidity ratio is valuable not only to the company but also to external stakeholders. In practice, the liquidity ratio analysis serves multiple purposes for both the company's owners and external parties like creditors and suppliers (Deshi, et al., 2025). The liquidity ratio used in this study is the Current Ratio. According to Olivia, et al. (2021), the Current Ratio measures a company's ability to pay short-term liabilities or debts that are due. A higher Current Ratio indicates a greater ability of the company to meet its obligations promptly. The Current Ratio compares all current assets to all current liabilities. If the ratio is low, it suggests the company may lack sufficient capital to pay its debts (Serlindawati & Chairunisa, 2024). However, a high ratio does not necessarily indicate a favorable condition, as it could mean that cash is not being utilized efficiently. In practice, a Current Ratio of 200% (2:1) is often considered a satisfactory benchmark for a company's financial health.

2.2 Empirical Review

2.2.1 Firm Size and Firm Value

Deshi, et al., (2025) examined the effect of the Firm financial attributes on value of listed consumer goods firms in Nigeria. The research is based on using a quantitative methodology and linear regression analysis concentrating on profitability, leverage and liquidity status as the factors defining firm value. This analysis uses data reviewed in the Nigerian Stock Exchange between 2013 and 2023 of a purposive sample of 16 companies listed in the Nigerian Stock Exchange. Firm value was discovered to be negatively affected strongly by firm size.

Dang, et al., (2024) examined the impact of firm size on the financial reporting quality (FRQ) of listed consumer goods companies in Nigeria, with audit quality as a moderating variable. The study employed a quantitative research approach and ex-post facto design, the study analyzed secondary data from reputable databases and financial reports of 17 purposively selected companies. Findings reveal a significant negative effect of firm size on FRQ, indicating that larger firms often have lower financial reporting quality.

Efut et al. (2023) investigated the effects of firms' size on the financial reporting quality of listed Universal Banks in Nigeria for the pre and post IFRS reporting periods. An ex-post facto research design was adopted for the study. The population of the study consists of all the Universal banks listed on the floor of the Nigerian Stock Exchange. Since the population is not too large, this study utilized Judgmental sampling

technique to choose five (5) banks from the population of the study. The data used in this study were secondary data derived from annual reports of the banks that are listed on the Nigerian Stock Exchange. The study used multiple regression with respect to the use of Pearson moment correlation to test the hypotheses of the study. The regression results discovered that firm size has a significant negative relationship on the financial reporting quality of universal banks listed on the Nigerian stock exchange. The study reveals a significant negative relationship, suggesting larger banks may face challenges in maintaining high financial reporting quality.

Egolum and Ikebudu (2023) conducted a study to examine the impact of firm size on earnings management among listed conglomerate firms in Nigeria. Utilizing an ex-post facto research design, the study focused on five conglomerate firms listed on the Nigerian Exchange Group (NGX), with secondary data collected from their audited financial statements covering the years 2012 to 2021. The analysis, performed using Ordinary Least Squares (OLS) regression, revealed that firm size has a statistically insignificant effect on earnings management, measured through discretionary accruals, at both 5% and 1% significance levels. This finding suggests that variations in firm size do not significantly influence earnings management practices within these firms.

Lodikero et al. (2023) investigated the relationship between firm attributes, specifically foreign ownership, and corporate social responsibility (CSR) disclosure among listed industrial goods companies in Nigeria. The study utilized corporate annual reports from 2013 to 2022 as the primary source of secondary data. Employing a panel least square regression method, the researchers analyzed the data collected to test the research hypotheses, which involved assessing the expected relationship between foreign ownership and CSR disclosure. The study's correlational research design revealed an insignificant positive relationship between foreign ownership and CSR disclosure, indicating that while there is a positive trend, it is not statistically significant.

Jerry and Okenwa (2023) examined the relationship between firm size and environmental disclosure among energy corporations in Nigeria using a causal-comparative research design. Their study focused on energy corporations listed on the Nigerian Exchange Group (NEG) from 2013 to 2022, encompassing nine quoted firms operating in the oil and gas, utility, and natural resource sectors. By leveraging secondary data from annual reports and financial statements, they employed a Multiple Linear Regression Approach to determine the causal relationship between firm attributes and environmental disclosure. The findings revealed that larger firms encountered challenges in providing detailed environmental information due to their operational complexity and established reporting practices.

Nangih (2023) investigated the effect of firm characteristics on the financial performance of listed consumer goods companies in Nigeria. The study adopted an ex-post facto design and was grounded in the Dynamic Capability Theory. It employed a purposive sampling technique to select 16 companies, which formed the study's sample. Data were collected from the annual financial reports of these firms covering the period from 2013 to 2022. The analysis involved descriptive statistics, correlation analysis, and panel regression techniques. The findings indicated that firm size (FSIZ) had a positive and significant effect on earnings per share (EPS), highlighting the beneficial impact of larger firm size on this specific performance metric within the consumer goods sector.

Orajekwe and Ogbodo (2023) examined the influence of firm size on the Environmental Disclosure Index (EDI) among listed energy firms in Nigeria, South Africa, and Kenya. The study adopted a quantitative research approach, utilizing secondary data sourced from the annual reports of these firms. The researchers employed regression analysis to evaluate the impact of firm-specific characteristics on EDI, specifically using waste management data aligned with the Global Reporting Initiative (GRI) 306 guidelines. The findings revealed a negative correlation between firm size and environmental disclosure, indicating that larger firms face challenges in effectively communicating their environmental initiatives.

Diriyai and Korolo (2023) investigated the relationship between company size and the quality of financial reporting among publicly traded industrial goods companies in Nigeria. Utilizing an ex-post facto research design, the study analyzed secondary data from the annual accounts and business reports of listed industrial goods firms for the period 2015-2020. The Ordinary Least Squares (OLS) regression technique was employed to explore the relationship between company size and financial reporting quality. The findings indicated that company size has a significantly positive association with the quality of financial reporting, suggesting that larger companies are better at providing high-quality financial reports.

2.2.2 Profitability and Firm Value

Deshi, et al., (2025) examined the effect of the Firm financial attributes on value of listed consumer goods firms in Nigeria. The research is based on using a quantitative methodology and linear regression analysis concentrating on profitability, leverage and liquidity status as the factors defining firm value. This analysis uses data reviewed in the Nigerian Stock Exchange between 2013 and 2023 of a purposive sample of 16 companies listed in the Nigerian Stock Exchange. The results bring out that profitability plays

a considerable role in firm value, which means that a firm with excellent profitability results in a better market value.

Orajekwe and Ogbodo (2023) conducted a quantitative study to explore how profitability influences the Environmental Disclosure Index (EDI) of listed energy firms in Nigeria, South Africa, and Kenya. The research methodology involved secondary data analysis from annual reports of energy firms, utilizing regression analysis to examine the impact of firm-specific characteristics, particularly profitability, on EDI based on the Global Reporting Initiative (GRI) 306 guidelines. The findings of the study indicated a positive relationship between profitability and EDI among the studied energy firms. This suggests that more profitable firms are likely to disclose more information about their environmental initiatives, demonstrating greater transparency in their environmental reporting practices.

Ememobong et al. (2023) conducted a study to examine the relationship between firm leverage and earnings predictability among quoted manufacturing companies in Nigeria. The research focused on all listed manufacturing firms in Nigeria up to the year 2021, using purposive sampling to select 12 firms that were continuously listed and actively traded on the Nigerian Exchange Group (NXG) Ltd. from 2017 to 2021. The study employed an ex-post facto research design to investigate how firm attributes, particularly firm leverage, influence earnings predictability. Panel regression analysis using a pooled estimate of Ordinary Least Squares (OLS) was utilized for data analysis. The findings of the study revealed a weak effect of firm leverage on earnings predictability within the sampled manufacturing companies. This suggests that firm leverage, while a factor, does not strongly determine the predictability of earnings in the manufacturing sector as studied.

Okoba and Chukwu (2023) conducted a study to investigate the impact of leverage on social sustainability performance disclosures (SSPD) in Nigeria, focusing on thirty manufacturing firms across various sectors such as consumer goods, industrial goods, agriculture, and healthcare. The research utilized data from sustainability reports spanning from 2010 to 2020 and employed a checklist based on the Global Reporting Index to assess SSPD. Anchored on the legitimacy theory perspective, the study extracted firm attribute information from annual reports and used regression techniques with Newey West robust standard errors for data analysis. The findings of the study indicated a positive effect of leverage on social sustainability performance disclosures among the studied manufacturing firms in Nigeria.

Efut et al. (2023) investigated the effects of profitability on the financial reporting quality of listed Universal Banks in Nigeria for the pre and post IFRS reporting periods. An ex-post facto research design was adopted for the study. The population of the study consists of all the Universal banks listed on the floor of the Nigerian Stock Exchange. Since the population is not too large, this study utilized Judgmental sampling technique to choose five (5) banks from the population of the study. The data used in this study were secondary data derived from annual reports of the banks that are listed on the Nigerian Stock Exchange. The study used multiple regression with respect to the use of Pearson moment correlation to test the hypotheses of the study. The regression result discovered that profitability has a significant negative relationship on the financial reporting quality of universal banks listed on the Nigerian stock exchange.
Jerry and Okenwa (2023) undertook a study examining the relationship between firm leverage and environmental disclosure among energy corporations listed on the Nigerian Exchange Group (NEG). Adopting a causal-comparative research design, the study focused on nine quoted firms operating primarily in the oil and gas, utility, and natural resource sectors from 2013 to 2022. Utilizing secondary data sourced from annual reports and financial statements, the researchers applied the Multiple Linear Regression Approach to explore how firm attributes, particularly leverage, influenced environmental disclosure practices. Contrary to expectations, the findings indicated that firm leverage did not have a statistically significant impact on the level of environmental disclosure among the sampled energy firms.

Diriyai and Korolo's (2023) investigated the interplay between liquidity and the quality of financial reporting among publicly traded industrial goods companies in Nigeria. Employing an ex post facto research design, the study analyzed secondary data extracted from annual accounts and business reports spanning the years 2015 to 2020. Through Ordinary Least Squares (OLS) regression techniques, the study uncovered a significant positive association between liquidity levels and the quality of financial reporting in these industrial goods firms.

Ndhlovu and Muzira (2023) conducted a quantitative study to investigate how profitability influences the timeliness of corporate internet financial reporting among companies in Malawi. Guided by a post-positivist philosophy and employing a deductive approach, the research utilized content analysis of secondary data focusing on a disclosure index for corporate internet financial reports. Regression analysis was employed to explore the impact of profitability on the timeliness of corporate internet reporting. The study examined a sample of 50 companies, including 13 listed companies on the Malawi Stock Exchange and 37 unlisted companies

across various industry sectors. The findings highlighted that while 86% of the sampled companies had a corporate website, only 24% engaged in internet financial reporting, indicating a relatively low level of adoption in Malawi.

2.2.3 Leverage and Firm Value

Deshi, et al., (2025) examined the effect of the Firm financial attributes on value of listed consumer goods firms in Nigeria. The research is based on using a quantitative methodology and linear regression analysis concentrating on profitability, leverage and liquidity status as the factors defining firm value. This analysis uses data reviewed in the Nigerian Stock Exchange between 2013 and 2023 of a purposive sample of 16 companies listed in the Nigerian Stock Exchange. The results showed that the leverage does not demonstrate a statistically significant influence on a firm value.

Farij and Wardani (2024) examined the effect of leverage ratios to company value in coal mining companies listed on the Indonesia Stock Exchange for the period 2018-2022. The indicators used to measure profitability are Return on Assets (ROA), leverage using Debt to Equity Ratio (DER) and liquidity using Current Ratio (CR), while company value uses Tobin's Q (Rasio Q). The type of research used is associative research with a quantitative approach. The population in this study were all coal mining companies listed on the Indonesia Stock Exchange with the sampling method, namely purposive sampling, based on the criteria set, a total of 15 company samples were obtained. The data collection technique uses documentation techniques, while the data analysis method uses multiple linear regression analysis using the SPSS program. Based on the test and analysis of the research results, it shows that the leverage has a positive and significant effect on firm value.

Rafli Irham and Imron (2023) analyzed the effect of leverage on firm value, a case study of manufacturing companies listed on the Indonesia Stock Exchange. This research method is quantitative. This research approach is quantitative because the data used comes from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021 whose data contains a number of numbers or numbers. Purposive sampling was used in the sampling technique. The data analysis used is the classical assumption test, multiple linear regression analysis, determination test, and partial hypothesis testing with the T-test and simultaneously with the test. The leverage ratio has a positive and significant effect on firm value.

Ripaluddin, et al., (2023) analyzed and determine the effect of leverage on firm value through profitability at PT. Indofood Sukses Makmur, TBK. Quantitative research methods were processed using the Structural Aquation Modeling Partial Least Square (SEM-PLS) and Warp Pls 8.0 applications. Research population data from secondary data obtained from financial reports and annual reports per quarter I-IV on the Indonesia Stock Exchange for the period 2019-2021. The results of this study leverage have a positive and significant effect on firm value.

Alawiyah, et al. (2023) determined the effect of leverage on the value of pharmaceutical sector companies in 2017–2021. This study uses panel data regression with the help of the eviews10 program. The conclusion from this study is that simultaneously CR, ROA and DER have a positive and significant impact on firm value. However, partially ROA has a positive and significant effect on firm value, while CR and DER have a negative and significant effect on firm value.

Nindi and Triyono, (2022) analyzed the effect of leverage as factors affecting the value of companies listed on the Indonesia Stock Exchange for 2018-2020 in consumer goods industrial sector companies. This study also examined the dividend policy variable used as a moderating variable in the research model. The population in this study is Consumer Goods Industrial Companies listed on the Indonesia Stock Exchange for 2018-2020. This study utilized secondary data and purposive sampling technique, resulting in 20 companies being selected as research samples. The data were analyzed using Multiple Linear Regression using SPSS 20. The study results revealed that leverage significantly affected firm value.

2.2.4 Liquidity and Firm Value

Deshi, et al., (2025) examined the effect of the Firm financial attributes on value of listed consumer goods firms in Nigeria. The research is based on using a quantitative methodology and linear regression analysis concentrating on profitability, leverage and liquidity status as the factors defining firm value. This analysis uses data reviewed in the Nigerian Stock Exchange between 2013 and 2023 of a purposive sample of 16 companies listed in the Nigerian Stock Exchange. The results that liquidity demonstrates a positive and non-insignificant influence.

Serlindawati and Chairunisa, (2024) analyzed the influence of liquidity on company value in manufacturing companies. This research uses a sample of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2017 - 2021 period. Researchers use causal quantitative methods with secondary data sources. The method used is the purposive sampling method. The total population in this study was 72 manufacturing companies in the sub-food and beverage consumer goods industrial sector and 18 companies were selected as samples with observation

data of 90 samples. This research uses descriptive analysis techniques, classical assumption tests, model feasibility tests and multiple linear regression analysis using SPSS version 25 statistical software as a tool to process data and provide conclusions. The results of this research show that liquidity does not have a positive effect on company value.

Farij and Wardani (2024) examined the effect of liquidity ratios to company value in coal mining companies listed on the Indonesia Stock Exchange for the period 2018-2022. The indicators used to measure profitability are Return on Assets (ROA), leverage using Debt to Equity Ratio (DER) and liquidity using Current Ratio (CR), while company value uses Tobin's Q (Rasio Q). The type of research used is associative research with a quantitative approach. The population in this study were all coal mining companies listed on the Indonesia Stock Exchange with the sampling method, namely purposive sampling, Based on the criteria set, a total of 15 company samples were obtained. The data collection technique uses documentation techniques, while the data analysis method uses multiple linear regression analysis using the SPSS program. Based on the test and analysis of the research results, it shows that the liquidity has a positive and insignificant effect on firm value.

Rafli Irham and Imron (2023) analyzed the effect of liquidity on firm value, a case study of manufacturing companies listed on the Indonesia Stock Exchange. This research method is quantitative. This research approach is quantitative because the data used comes from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021 whose data contains a number of numbers or numbers. Purposive sampling was used in the sampling technique. The data analysis used is the classical assumption test, multiple linear regression analysis, determination test, and partial hypothesis testing with the T-test and simultaneously with the test. The result shows the liquidity ratio has a positive and significant effect on firm value.

Alawiyah, et al. (2023) determined the effect of liquidity on the value of pharmaceutical sector companies in 2017–2021. This study uses panel data regression with the help of the eviews10 program. The conclusion from this study is that simultaneously CR, ROA and DER have a positive and significant impact on firm value. However, partially liquidity has a positive and significant effect on firm value.

Ripaluddin, et al., (2023) analyzed and determine the effect of liquidity on firm value through profitability at PT. Indofood Sukses Makmur, Tbk. Quantitative research methods were processed using the Structural Aquation Modeling Partial Least Square (SEM-PLS) and Warp Pls 8.0 applications. Research population data from secondary data obtained from financial reports and annual reports per quarter I-IV on the Indonesia Stock Exchange for the period 2019-2021. The results of this study indicate that liquidity and leverage have a positive and significant effect on firm profitability.

Ranti and Agus, (2022) examined the effect of liquidity on firm value of dividend policy as an intervening variable. This has a look at uses quantitative methods by collecting secondary data, specifically financial statements and annual reports of companies in the financial sector listed on the Indonesia Stock Exchange (IDX). The sampling technique used purposive sampling and obtained a total sample of 26 companies. This study uses path analysis using the Smart-PLS 3.3.3 statistical tool. The results of the study prove that liquidity has a negative and significant effect on firm value.

2.3 Theoretical Review

2.3.1 Resource-Based Theory

The Resource-Based Theory (RBT) was pioneered by Penrose (1959) and further developed by Barney (1991), explained firm performance and value as outcomes of internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable. The theory shifted attention from external market conditions to firm-specific attributes as the primary sources of competitive advantage and value creation. In the banking context, such resources include large asset bases, skilled human capital, advanced technology, strong governance structures, and efficient risk management systems. Firm size and profitability were therefore viewed as manifestations of successful resource accumulation and effective deployment. Within Sub-Saharan African deposit money banks, the theory implied that banks with superior internal resources were better positioned to generate sustainable earnings, absorb regulatory and operational costs, and enhance firm value, making RBT a strong theoretical foundation for linking firm characteristics to firm value.

2.3.2 Signaling Theory

Signaling Theory was developed by Spence (1973), addressed information asymmetry between firm management and external investors by explaining how firms conveyed credible information about their quality and future prospects through observable signals. In financial markets, firm characteristics such as profitability, firm size, leverage, and liquidity served as signals that investors interpreted when making valuation decisions. High profitability signaled managerial efficiency and earnings sustainability, while larger firm size often signaled stability, market dominance, and lower perceived risk. In the banking sector, where transparency challenges are common, especially in Sub-Saharan Africa, these signals played a crucial role in shaping investor

perceptions and firm value. The theory therefore provided a basis for explaining why profitability and firm size significantly influenced firm value, as these variables reduced information asymmetry and enhanced investor confidence.

2.3.3 Trade-Off Theory

The Trade-Off Theory of capital structure is attributed to Modigliani and Miller (1963) and subsequent refinements, posited that firms balanced the benefits of debt financing against the costs of financial distress to arrive at an optimal capital structure that maximized firm value. According to the theory, leverage enhanced firm value up to a point due to tax advantages, but excessive debt increased bankruptcy risk and agency costs, thereby reducing value. Liquidity decisions were similarly explained as a balance between safety and opportunity cost, as holding excess liquid assets reduced risk but constrained returns. In the context of deposit money banks, which are inherently highly leveraged and heavily regulated, the theory suggested that banks typically operated close to their optimal leverage and liquidity levels. As a result, variations in leverage and liquidity within regulatory limits were expected to have limited effects on firm value, making the Trade-Off Theory particularly relevant for explaining the weak valuation effects of leverage and liquidity in Sub-Saharan African banking systems.

3. METHODOLOGY

The study adopted a quantitative research design within a positivist paradigm to examine the effect of firm size, profitability, liquidity, and leverage on firm value among listed deposit money banks in Sub-Saharan Africa. Firm value, measured by share price, served as the dependent variable, while firm size, profitability, liquidity, and leverage were operationalized as the natural logarithm of total assets, return on assets, current ratio, and total debt-to-total assets ratio respectively. Grounded in a positivist ontology that assumed an objective and quantifiable reality, a positivist epistemology that emphasized empirical evidence, and an axiological stance of researcher neutrality, the study utilized secondary data obtained from annual reports and financial statements of banks that met criteria for data completeness and reporting consistency. A purposive sampling technique was employed to select 141 listed banks with at least ten years of listing history and reliable audited financial information over an 11-year period. Data analysis involved descriptive statistics to summarize variable characteristics, correlation analysis to assess bivariate relationships, and multiple regression modelling to estimate the effect of firm characteristics on firm value, with diagnostic tests for multicollinearity and heteroscedasticity applied to ensure model robustness. Statistical significance and effect sizes guided interpretation of regression outputs, and robust estimation techniques were implemented where assumptions were violated. This methodological approach enabled rigorous empirical inquiry and supported objective, generalizable insights on how firm-specific attributes influenced firm value within Sub-Saharan Africa's banking sector.

3.5.1 Model Specification

This model specification is designed to analyze the effect of firm characteristics (Firm Size, Profitability, Liquidity, and Leverage) and Firm Value in listed deposit money banks in Sub-Saharan Africa. The analysis was conducted using panel data to account for both time-series and cross-sectional variations.

$FVAL = f(FSIZE + PROF + LEVG + LIQD)$ ……..…… (i)

$FVAL_{it} = \alpha + \beta_1 FSIZE_{it} + \beta_2 PROF_{it} + \beta_3 LEVG_{it} + \beta_4 LIQD_{it} + \varepsilon_{it}$ …… (ii)

Where: $FVAL_{it}$ = Firm Value for firm i at time t; $FSIZE_{it}$ = Firm Size for firm i at time t; $PROF_{it}$ = Profitability for firm i at time t; $LIQD_{it}$ = Liquidity for firm i at time t; $LEVG_{it}$ = Leverage for firm i at time t; α = Constant term; β_1, β_2, β_3, β_4 = Coefficients of the independent variables; and ε_{it} = Error term.

The formula for Tobin's Q is expressed as:

$$\text{Tobin's Q} = \frac{\text{Market Value of Equity} + \text{Book Value of Total Debt}}{\text{Book Value of Total Assets}}$$

Where:

Market Value of Equity = Share price × Number of outstanding shares

Book Value of Total Debt = Short-term debt + Long-term debt

Book Value of Total Assets = Total assets as reported in the statement of financial position

This formulation is widely used in empirical accounting and finance studies (especially in banking research) because it approximates the replacement cost of assets using readily available accounting data and captures investors' valuation of the firm relative to its asset base (Tobin, 1969)

Table 3.1: Variable Measurement

PROXIES	CODE	MEASUREMENT	SOURCE
Firm Value	**FVAL**	Tobin's Q	Ripaluddin, et al., (2023) Alawiyah, et al. (2023)
Firm size	**FSIZE**	Nat. log of cost of firm 's total assets for the year	Jibril et al. (2021)
Profitability	**PROF**	Net Profit after Tax/total assets	Thakur, et al. (2023)
Leverage	**LEVG**	Debt to Equity Ratio	Ripaluddin, et al., (2023)
Liquidity	**LIQD**	Current Assets/ Current Liabilities	Elga, (2021)

Source: Author's compilation, 2025

4. DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

Table 4.1: Descriptive Analysis

Variable	OBS	Mean	Std. Dev.	Min	Max
FVAL	850	16.59	2.62	7.67	21.28
FSIZE	871	18.36	2.67	9.93	23.43
PROF	871	0.02	0.03	-0.23	0.24
LEVG	871	0.83	0.17	0.06	2.55
LIQD	841	2.20	18.76	0.09	541.01

Source: STATA 17.0 (2025)

The descriptive statistics in Table 4.1 provide an overall summary of the key characteristics of listed deposit money banks in Sub-Saharan Africa over the study period. Firm value (FVAL), measured by Tobin's Q, recorded a mean value of 16.59, with a standard deviation of 2.62, indicating that, on average, the market valued the sampled banks substantially above the book value of their assets. The relatively moderate dispersion around the mean suggests some degree of consistency in market valuation across banks, although the wide range between the minimum (7.67) and maximum (21.28) reflects notable differences in how investors priced individual banks. This variation in firm value implies heterogeneity in market perceptions, likely driven by differences in internal firm characteristics, risk exposure, and country-specific conditions within Sub-Saharan Africa.

Firm size (FSIZE), measured as the natural logarithm of total assets, shows a mean value of 18.36 and a standard deviation of 2.67, indicating considerable variation in the scale of operations among listed deposit money banks in the region. The minimum value (9.93) and maximum value (23.43) suggest the coexistence of relatively small banks alongside very large institutions, reflecting the diverse structure of the Sub-Saharan African banking sector. Profitability (PROF), proxied by net profit margin, has a low mean of 0.02, suggesting that banks operated on relatively thin margins during the period under review. The presence of negative minimum values (–0.23) indicates that some banks recorded losses in certain years, while the maximum value (0.24) shows that a few banks achieved relatively strong profitability. The high dispersion relative to the mean underscores instability in earnings performance across banks and over time.

Leverage (LEVG) and liquidity (LIQD) further highlight the financial structure and risk profile of the sampled banks. Leverage recorded a mean of 0.83 with a relatively low standard deviation of 0.17, suggesting that most banks relied heavily on debt financing, consistent with the deposit-funded nature of banking operations. However, the maximum value of 2.55 indicates that some banks were highly leveraged, potentially increasing their exposure to financial distress. Liquidity, measured by the current ratio, has a mean of 2.20, implying that, on average, banks were able to cover short-term obligations with current assets. Nonetheless, the exceptionally high standard deviation (18.76) and wide range from 0.09 to 541.01 indicate extreme variability in liquidity positions. This suggests that while some banks maintained minimal liquidity buffers, others held excessively high levels of liquid assets, reflecting differences in risk appetite, regulatory compliance, and operating environments across Sub-Saharan African countries.

4.2 Analysis and results

Table 4.2: Normality Test

Variable	OBS	W	V	z	Prob>z
FVAL	850	0.97561	7.344	4.766	0.00000
FSIZE	871	0.74789	78.217	10.437	0.00000
PROF	871	0.38526	190.718	12.571	0.00000
LEVG	871	0.28829	205.562	12.704	0.00000
LIQD	841	0.28501	221.821	12.932	0.00000

Source: STATA 17.0 (2025)

The normality test results in Table 4.2 indicate that none of the variables in the study are normally distributed, as evidenced by the Shapiro–Wilk probability values of 0.00000 for firm value (FVAL), firm size (FSIZE), profitability (PROF), leverage (LEVG), and liquidity (LIQD). Although the W statistic for firm value (0.97561) is relatively close to one, the large sample size makes the test highly sensitive, leading to the rejection of normality even for mild deviations. The much lower W values recorded for firm size, profitability, leverage, and liquidity indicate substantial skewness and the presence of extreme observations, reflecting the heterogeneous structure of listed deposit money banks across Sub-Saharan African countries, where a few very large, highly leveraged, or highly liquid banks coexist with many smaller or less stable institutions. These results imply that the normality assumption is violated for all variables, thereby justifying the use of robust estimation techniques and large-sample inference in examining the relationship between firm characteristics and firm value in Sub-Saharan Africa.

Table 4.3: Correlation Matrix

	FVL	FSZ	PRO	LEVG	LIQUID
FVAL	1.0000				
FSIZE	0.9118	1.0000			
PROF	0.0245	-0.0662	1.0000		
LEVG	0.2743	0.4119	-0.1563	1.0000	
LIQD	-0.1571	-0.2241	0.2861	-0.4069	1.00000

Source: STATA 17.0 (2025)

The correlation matrix in Table 4.3 shows the direction and strength of the linear relationships between firm value (FVAL) and the explanatory variables for listed deposit money banks in Sub-Saharan Africa. Firm size (FSIZE) exhibits a very strong positive correlation with firm value (r = 0.9118), indicating that larger banks tend to have higher market valuations. This suggests that banks with larger asset bases are more favorably valued by the market, likely due to scale economies, diversification benefits, and perceived stability associated with size within Sub-Saharan African banking systems.

However, profitability (PROF) shows a very weak positive correlation with firm value (r = 0.0245), implying that profitability has only a marginal linear association with market valuation at the bivariate level. This suggests that while earnings are relevant, profitability alone may not strongly drive firm value without considering other factors such as risk, leverage, and liquidity. On the other hand, Leverage (LEVG) is moderately and positively correlated with firm value (r = 0.2743), indicating that banks with higher leverage tend to have higher firm value to some extent, reflecting the return-enhancing role of debt in banking operations, although this relationship may also embed higher risk. Liquidity (LIQD) exhibits a weak negative correlation with firm value (r = –0.1571), suggesting that banks with higher liquidity levels tend to have slightly lower market valuations. This implies that excessive liquidity may be perceived by investors as inefficient use of resources that could otherwise generate higher returns.

Overall, the correlation results suggest that firm value in Sub-Saharan African deposit money banks is most strongly associated with firm size, moderately related to leverage, weakly related to liquidity, and only marginally related to profitability at the bivariate level, highlighting the need for multivariate analysis to fully capture these relationships.

Table 4.4: Multicollinearity Test

Variable	VIF	1/VIF
FSIZE	8.81	0.113522
LEVG	1.41	0.711285
LIQD	1.29	0.775457
PROF	1.11	0.902507
Mean VIF	4.19	

Source: STATA 17.0 (2025)

The multicollinearity test results in Table 4.4 indicate that multicollinearity is not a serious concern in the model. Firm size (FSIZE) records the highest Variance Inflation Factor (VIF) of 8.81, which, although relatively high, remains below the commonly accepted critical threshold of 10, suggesting that collinearity involving firm size is tolerable. Leverage (LEVG), liquidity (LIQD), and profitability (PROF) record low VIF values of 1.41, 1.29, and 1.11 respectively, indicating very weak linear dependence among these explanatory variables. The mean VIF of 4.19 further confirms that the overall model does not suffer from harmful multicollinearity. These results imply that the estimated coefficients can be interpreted reliably, as the independent variables provide sufficiently distinct information in explaining firm value among listed deposit money banks in Sub-Saharan Africa.

Table 4.5: Heteroskedasticity Test

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity	
Ho: Constant variance	
chi2(1) =	7.02
Prob > chi2 =	0.0081

Source: STATA 17.0 (2025)

The Breusch–Pagan/Cook–Weisberg test results in Table 4.5 indicate the presence of heteroskedasticity in the regression model. The null hypothesis of constant variance is rejected, as the probability value of 0.0081 is less than the 5 percent significance level. This implies that the variance of the error terms is not constant across observations, suggesting that the dispersion of residuals varies with the level of the explanatory variables. In practical terms, this is consistent with the heterogeneous nature of listed deposit money banks across Sub-Saharan African countries, where differences in firm size, leverage structures, liquidity positions, and profitability levels can lead to unequal variability in firm value. Consequently, the presence of heteroskedasticity justifies the use of robust standard errors to obtain reliable and unbiased statistical inferences in estimating the relationship between firm characteristics and firm value.

Table 4.6: Robust Regression Results

FVAL	Coefficient	Robust std. err.	t	P>t
FSIZE	.0356495	.0127541	2.80	0.005
PROF	.7044772	.2150253	3.28	0.001
LEVG	.0186858	.1696747	0.11	0.912
LIQD	-.0214854	.0119631	-1.80	0.073
_cons	15.67506	.3085169	50.81	0.000
F-Statistics		=		4.42
Prob > F		=		0.0017
R-squared		=		0.4689

Source: STATA 17.0 (2025)

4.2 Test of Hypotheses

The robust regression results in Table 4.6 show that the overall model is statistically significant, as indicated by the F-statistic of 4.42 with a probability value of 0.0017, which is below the 5 percent significance level. This implies that the explanatory variables jointly have a significant effect on firm value (FVAL) of listed deposit money banks in Sub-Saharan Africa. Consequently, the overall null hypothesis that firm characteristics do not significantly influence firm value is rejected. The R-squared value of 0.4689 further indicates that approximately 46.9 percent of the variations in firm value are explained by firm size, profitability, leverage, and liquidity included in the model, suggesting a moderate explanatory power in the context of heterogeneous Sub-Saharan African banking systems.

4.2.1 Firm size and firm value

Firm size (FSIZE) has a positive and statistically significant effect on firm value, with a coefficient of 0.0356495, a t-value of 2.80, and a probability value of 0.005. This result leads to the rejection of the null hypothesis that firm size does not significantly influence firm value. The finding implies that, holding other factors constant, an increase in bank size is associated with a corresponding increase in market valuation. This suggests that larger deposit money banks in Sub-Saharan Africa benefit from economies of scale, diversification, and stronger market confidence, which translate into higher firm value.

4.2.2 Profitability and firm value

Profitability (PROF) also exhibits a positive and statistically significant relationship with firm value, as evidenced by a coefficient of 0.7044772, a t-value of 3.28, and a probability value of 0.001. The null hypothesis that profitability does not significantly influence firm value is therefore rejected. This result indicates that more profitable banks are valued higher by the market, reflecting investors' preference for banks with stronger earnings capacity and sustainable profit generation. It underscores the importance of efficient income generation in enhancing the market value of listed deposit money banks in Sub-Saharan Africa.

4.2.3 Leverage and firm value

Leverage (LEVG) shows a positive but statistically insignificant effect on firm value, with a coefficient of 0.0186858, a t-value of 0.11, and a probability value of 0.912. Based on this result, the null hypothesis that leverage does not significantly influence firm value is not rejected. This implies that variations in leverage do not have a meaningful independent impact on the market valuation of listed deposit money banks in Sub-Saharan Africa during the study period. The finding suggests that investors may already price leverage-related risk into bank valuations or that regulatory constraints limit the valuation effect of leverage.

4.2.4 Liquidity and firm value

Liquidity (LIQD) has a negative coefficient of –0.0214854 with a t-value of –1.80 and a probability value of 0.073, which is not statistically significant at the 5 percent level. Accordingly, the null hypothesis that liquidity does not significantly influence firm value is not rejected. Although the relationship is statistically insignificant, the negative sign suggests that higher liquidity may be associated with lower firm value, possibly due to the opportunity cost of holding excess liquid assets that could otherwise be deployed in income-generating activities. However, this effect is not strong enough to be statistically confirmed for listed deposit money banks in Sub-Saharan Africa.

4.3 Discussion of Findings

4.3.1 Firm Size and Firm Value

The positive and statistically significant effect of firm size on firm value among listed deposit money banks in Sub-Saharan Africa aligns with several empirical studies reviewed in this study. Evidence from African contexts suggests that larger banks tend to enjoy higher market valuation due to economies of scale, diversification benefits, enhanced risk absorption capacity, and stronger market confidence. Studies focusing on Sub-Saharan Africa, such as Nyabaga and Wepukhulu (2020) for Kenya and Adusei (2024) for selected African banking systems, show that size enhances banks' ability to spread fixed regulatory and technology costs, improve operational efficiency, and signal stability to investors. Similarly, Nangih et al. (2023) found a positive and significant relationship between firm size and performance among Nigerian listed firms, implying that size-related advantages are positively priced by the market, which supports the current finding that larger banks command higher firm value in Sub-Saharan Africa.

However, the finding contradicts some empirical evidence within the reviewed literature, which reports a negative or insignificant relationship between firm size and firm outcomes. For instance, Efut et al. (2023) and Orajekwe and Ogbodo (2023) documented that larger firms, including banks and energy companies in Sub-Saharan Africa, often face operational complexity, bureaucratic inefficiencies, and weaker transparency, which may reduce investor confidence. These contradictory outcomes are largely attributed to differences in study focus, as many of these studies examined financial reporting quality or disclosure rather than market-based firm value. In addition, country-specific regulatory environments, governance quality, and market depth across Sub-Saharan Africa may weaken the size–value relationship in some contexts, particularly where large banks are exposed to systemic risk or inefficiencies.

From a theoretical perspective, the positive effect of firm size on firm value supports the Resource-Based Theory underpinning this study. The theory posits that firms with superior and scalable resources are better positioned to achieve competitive advantage and higher valuation. In the Sub-Saharan African banking sector, large asset bases constitute strategic resources that enhance lending capacity, market reach, and resilience against shocks. The current finding therefore confirms that firm size acts as a value-enhancing resource, reinforcing the argument that scale efficiency and resource accumulation play a critical role in shaping firm value among listed deposit money banks in Sub-Saharan Africa.

4.3.2 Profitability and Firm Value

The finding that profitability has a positive and statistically significant effect on firm value is consistent with much of the empirical literature reviewed, particularly within Sub-Saharan Africa. Prior studies indicate that profitability serves as a strong signal of financial strength, earnings sustainability, and efficient management, which are highly valued by investors. For example, Nyabaga and Wepukhulu (2020) found that profitable banks in Kenya recorded higher market valuation, while Ndhlovu and Muzira (2023) showed that profitability improves investor confidence and information timeliness among firms in Malawi. These studies support the current result by demonstrating that higher earnings capacity enhances the market value of firms operating in African financial markets.

Nonetheless, the result contrasts with some reviewed studies that reported a negative or weak relationship between profitability and firm-related outcomes. Efut et al. (2023), for instance, observed a negative association between profitability and financial reporting quality among Nigerian banks, suggesting that high profits may sometimes be linked to earnings volatility or aggressive accounting practices. Such contradictions may arise because profitability in Sub-Saharan Africa is often exposed to macroeconomic instability, interest-rate volatility, and credit risk, which can distort how earnings are perceived by investors. Moreover, studies focusing on disclosure quality or reporting behavior may yield different conclusions from those using market-based measures such as firm value.

Theoretically, the positive profitability–firm value relationship aligns with signaling theory and reinforces the assumptions of the Resource-Based Theory adopted in this study. Profitability represents an internal capability that signals superior performance and efficient utilization of resources to the market. In Sub-Saharan Africa, where information asymmetry is relatively high, profitable banks are more likely to be perceived as stable and well-managed, leading to higher valuation. The current finding therefore supports the theoretical view that sustained profitability strengthens firms' competitive positioning and enhances firm value within the Sub-Saharan African banking sector.

4.3.3 Leverage and Firm Value

The finding that leverage has a positive but statistically insignificant effect on firm value among listed deposit money banks in Sub-Saharan Africa is consistent with several empirical studies reviewed in this study. Prior evidence suggests that although banks are inherently highly leveraged institutions due to their deposit-based funding structure, variations in leverage within regulatory limits may not significantly influence market valuation. Studies such as Abor (2005) and Nindi and Triyono (2022) indicate that leverage in financial institutions often exhibits a weak or insignificant relationship with firm value because investors anticipate high leverage as a structural feature of banking rather than a discretionary financing choice. This aligns with the current finding, suggesting that market participants in Sub-Saharan Africa may already price leverage-related risk into bank valuations, thereby weakening its marginal effect on firm value.

In contrast, some empirical studies reviewed report a significant negative relationship between leverage and firm value, particularly in non-financial sectors and in environments characterized by weak regulatory oversight. For example, Farij and Wardani (2024) found that excessive leverage reduces firm value due to heightened bankruptcy risk and financial distress costs. The divergence from the current finding may be explained by sectoral differences, as non-financial firms do not operate with structurally high leverage like banks, and by differences in measurement approaches and market maturity. In Sub-Saharan Africa, prudential regulations and capital adequacy requirements may also constrain excessive leverage, limiting its observable impact on firm value.

From a theoretical standpoint, the insignificant effect of leverage on firm value is consistent with the trade-off theory of capital structure, which posits that firms balance the benefits and costs of debt to reach an optimal leverage level. In the banking context, leverage levels may already be close to this optimal range due to regulatory constraints, causing additional changes in leverage to have little effect on firm value. The current finding therefore suggests that within Sub-Saharan Africa's regulated banking environment, leverage neither significantly enhances nor erodes firm value, supporting the theoretical view that the valuation impact of debt depends on the balance between risk and return.

4.3.4 Liquidity and Firm Value

The finding that liquidity has a negative but statistically insignificant effect on firm value among listed deposit money banks in Sub-Saharan Africa aligns with several studies reviewed, which emphasize the liquidity–profitability trade-off in banking. Empirical evidence indicates that while adequate liquidity is essential for stability and depositor confidence, excessive liquidity may reduce returns by limiting funds available for income-generating lending activities. Studies such as Adusei (2024) and Serlindawati and Chairunisa (2024) show that high liquidity levels are often associated with lower firm performance and valuation, supporting the current result that higher liquidity does not necessarily translate into higher firm value.

However, the result contradicts other empirical findings that report a positive and significant relationship between liquidity and firm value, particularly in periods of financial uncertainty. For instance, Alawiyah et al. (2023) found that firms with strong liquidity positions were more highly valued due to reduced default risk and enhanced investor confidence. The divergence may stem from contextual differences, as liquidity may be more strongly rewarded in advanced or crisis-prone markets, whereas in Sub-Saharan Africa, persistent excess liquidity can signal underutilization of funds or limited lending opportunities, thereby dampening valuation effects.

Theoretically, the negative and insignificant relationship between liquidity and firm value supports the liquidity preference and trade-off theories, which suggest that holding liquid assets involves an opportunity cost. In the Sub-Saharan African banking sector, where banks are expected to maintain minimum liquidity buffers, additional liquidity beyond regulatory requirements may not enhance firm value. Instead, investors may prioritize efficient asset utilization and earnings generation over excessive safety buffers. The current finding therefore reinforces the theoretical argument that liquidity contributes to firm value only up to an optimal level, beyond which its marginal effect becomes weak or negative.

5. CONCLUSION AND RECOMMENDATIONS

The study concludes, in specific terms, that the firm value of listed deposit money banks in Sub-Saharan Africa is significantly driven by firm size and profitability, while leverage and liquidity do not exert a statistically significant influence on market valuation. The empirical evidence shows that banks with larger asset bases are consistently valued higher by the market, indicating that scale, diversification capacity, and market dominance are key determinants of investor confidence in the region's banking sector. In addition, profitability, measured by net profit margin, emerges as a strong value-enhancing factor, confirming that banks capable of generating stable and sustainable earnings command superior market valuation. Conversely, variations in leverage do not meaningfully affect firm value, suggesting that investors perceive high leverage as an inherent characteristic of banking operations rather than a differentiating factor. Liquidity also shows no significant impact on firm value, with a negative

tendency indicating that excessive liquid holdings may constrain value creation by limiting income-generating opportunities. Overall, the study specifically concludes that improving firm value in Sub-Saharan African deposit money banks depends more on achieving efficient scale and sustaining profitability than on adjusting leverage or liquidity beyond regulatory requirements.

Recommendations

Based on the significant positive effect of firm size on firm value, deposit money banks should pursue asset growth strategies that emphasize efficiency and diversification rather than mere expansion. Specifically, bank boards and executive management should consider well-structured mergers and acquisitions, cross-border banking operations, and investment in digital banking infrastructure to expand asset bases and customer reach. Regulatory authorities such as the Central Bank of Nigeria (CBN), South African Reserve Bank (SARB), Bank of Ghana (BoG), and Central Bank of Kenya (CBK) should provide clear supervisory frameworks for consolidation and regional expansion, ensuring that growth improves efficiency and does not heighten systemic risk.

Given the strong influence of profitability on firm value, banks should focus on improving sustainable earnings through targeted cost reduction, enhanced credit risk assessment, and diversification into fee-based and non-interest income activities. Bank management should strengthen internal controls and performance monitoring systems to improve operating efficiency, while regulators such as the Financial Reporting Council of Nigeria (FRCN) and similar bodies across Sub-Saharan Africa should enforce high-quality financial reporting standards to ensure that reported profits reflect true economic performance and are trusted by investors.

Although leverage was found to be statistically insignificant, banks should maintain optimal capital structures by adhering strictly to capital adequacy and leverage requirements. Central banks and prudential regulators, including national deposit insurance corporations, should continue enforcing Basel-aligned capital and leverage ratios to prevent excessive risk-taking. Banks should focus on building strong equity buffers through retained earnings rather than increasing debt levels in an attempt to enhance firm value.

With respect to liquidity, banks should avoid excessive liquidity hoarding and instead adopt advanced asset–liability management practices that balance regulatory compliance with income generation. Bank treasuries should optimize liquidity deployment into low-risk, income-generating assets, while regulators such as the CBN, SARB, and BoG should refine liquidity guidelines to discourage inefficient accumulation of idle liquid assets. Collectively, these specific measures will support value creation, strengthen financial stability, and enhance investor confidence in listed deposit money banks across Sub-Saharan Africa.

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